Agenda Item No.

11

JOINT INDEPENDENT AUDIT COMMITTEE
27 JULY 2017

SUBJECT	**FINANCIAL STATEMENTS OF ACCOUNTS 2016/17**
REPORT BY	**JULIE FLINT, PCC CHIEF FINANCIAL OFFICER, AND SHARON CLARK, FORCE CHIEF FINANCIAL OFFICER**
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SUMMARY AND PURPOSE OF REPORT

Following the Audit of the 2016/17 accounts the Committee is requested to review:

- the responses to the report produced by the auditors;
- the final version of the Accounts; and
- Letters of Representation.

In addition progress on the completion of the Summary accounts for the PCC Group is reported.

RECOMMENDATIONS	That the Committee: 1. Reviews the Responses to the Report to those charged with Governance (ISA 260) on the 2016/17 accounts 2. Reviews the Accounts for publication (Appendices A1 and A2); 3. Reviews the Letters of Representation (Appendices B1 and B2).

A. SUPPORTING INFORMATION

1. Introduction

1.1 At the May 2017 workshop of this Committee, in accordance with good practice, the 2016/17 draft accounts for both the Police and Crime Commissioner (PCC) Group and the Chief Constable (CC) were presented along with a summary of the key factors and decisions included. Following this meeting the CFOs for the PCC and Chief Constable, in accordance with the Accounts and Audit Regulations 2015 (Regulation 9), signed and dated their respective accounts and certified that they presented a true and fair view of the financial position of the Group at the end of the year to which they related, and of its income and expenditure for that year.

1.2 Copies of the accounts were published on the PCC's and CC's websites, along with a declaration that the accounts were unaudited and may be subject to change. The accounts were open for public inspection between 12 June 2016

and 21 July 2016. During this period, a local government elector for any area to which the accounts relate, or their representative, may question the auditor about the accounts, or make an objection to the accounts as set out in section 26 and 27 of the Local Audit and Accountability Act 2014. Any objections must be provided in writing; at the date of submission of this report no objections have been notified.

1.3 Revised accounts are now submitted to this Committee following audit for review prior to the final signing by the PCC and CC and their Statutory Officers. The planned date for completion and audit certificate issue is 18 August, well in advance of the statutory deadline of 30 September.

1.4 The external auditor, KPMG, is required by the statutory Code of Audit Practice for Local Government bodies (the Code) to issue a report to those charged with governance (PCC & CC) summarising the conclusion from their audit work. This report, an ISA260, has been provided to the Committee for review on this agenda.

1.5 KPMG is also required to report on certain matters before it can give its opinion on the financial statements. These include significant risks, qualitative aspects of the accounts and the auditor's independence. These are all included within the report.

1.6 The ISA260 covering the audit will be presented by KPMG. The principal purposes of the report are to:

- Reach a mutual understanding of the scope of the audit and respective responsibilities of the auditor and those charged with governance;
- Share information to assist both the auditor and those charged with governance to fulfil their respective responsibilities; and
- Provide recommendations for improvements arising from the audit process.

1.7 An important part of this report is the Letter of Representation which is discussed at Section 6.

1.8 The report is positive, KPMG has indicated that it intends to issue an unqualified audit opinion on both sets of accounts and that the Annual Governance Statements comply with Guidance issued by CIPFA/SOLACE in April 2016. Importantly the report also concludes that the PCC and CC have made proper arrangements to ensure they took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

2. Accounting practice and financial reporting

2.1 Appendices 2 and 3 of the KPMG report details the audit differences which have been identified in the draft financial statements. These are analysed into uncorrected and corrected: material or non-material. All of the differences have been adjusted in this final version of the accounts.

2.2 The audit identified 6 significant numerical differences, 3 of which impacted on the primary statements and 3 in disclosure notes. There were 5 notes where disclosure errors were identified. There has been no impact on the General Fund.

3. Key Issues and Recommendations

3.1 The recommendation made in the ISA260 Report in 2015/16 has been implemented.
Appendix 1 of the KPMG report highlights the issues and recommendations arising from the 2016/17 audit. The following table details the issues and the management response.

No	Risk Priority	Issue and Recommendation	Management Response
1	High	Our review of the PCC and CC's Chief Finance Officer's Narrative Reports has identified a number of areas were improvements could be made in order to ensure full compliance with CIPFA's Code of Practice, in particular: —Providing full clarity over the financial performance indicators detailed within the report especially in relation to the inclusion or exclusion of figures in respect of the regional balances; and —Inclusion of non-financial performance indicators as relevant to the performance of the authority, including those that the PCC and CC judges as being central in assessing progress against its strategic objectives, or monitoring its risks. **Recommendation** The PCC and CC should ensure that its Narrative Reports fully comply with CIPFA's Code of Practice and that clarity is provided over any figures reported within the Narrative Report and the financial statements.	Accepted. In respect of the first point we will review the narrative for 2016/17 (and again next year) and ensure there is clarity on the inclusion or exclusion of regional balances. In respect of the second point on non-financial performance information, we will review and incorporate this into the Statement of Accounts for 2017/18. **Responsible Officer** PCC CFO & CC CFO **Due Date** 2017/18 Statement of Accounts
2	Medium	Our testing of the PCC and CC's processes over the provision of data to the actuary highlighted an error in the information submitted in respect of the Police Pension Scheme. The impact of this has been that a revised actuarial report was required causing a number of material late adjustments to a considerable number of account entries and balances. **Recommendation** The PCC and CC should ensure that an appropriate level of review is put in place over the data being submitted to the	Accepted. **Responsible Officer** Head of Finance **Due Date** 2017/18 Statement of Accounts

		actuary to ensure its completeness and accuracy.	
3	Medium	Our testing identified that a number of the required 'fair value' disclosures required by CIPFA's Code of Practice, including the accounting policy and detailed measurement bases, had not been made within the Statement of Accounts. These omissions should have been identified from the correct completion of CIPFA's Code Disclosure Checklist. **Recommendation** The PCC and CC should ensure that sufficient time and resource is devoted to the accurate completion of CIPFA's Code Disclosure Checklist, with any uncertainties over answers being investigated more thoroughly.	Accepted. Review of the Code of Practice and disclosure checklist is a standard part of the closedown procedure however; we will consider undertaking an independent review of the checklist in future. **Responsible Officer** Head of Finance **Due Date** 2017/18 Statement of Accounts

4. Statement of Accounts

4.1 Revised PCC and Chief Constable Accounts are included in the papers for this Committee. These include all the changes noted above from the accounts reviewed in June.

5. Post Balance Sheet Events

5.1 Accounting standards require that relevant Post Balance Sheet Events be recognised in the Financial Statements up to the completion of the audit. If events arise after this Committee but prior to the signing of the accounts appropriate disclosures will be made in the accounts and the Committee notified at the next meeting.

6. Letter of Representation

6.1 As part of the finalisation of the audit, a letter of representation must be provided to the auditor for the PCC and CC. A draft letter is included in Appendix B1 and B2. This letter will be signed for both the PCC and Chief Constable by the relevant Authority's CFO. It includes declarations regarding the financial statements and governance arrangements which have been employed.

7. Summarised Statement of Accounts

7.1 Preparation of the summarised set of accounts for the PCC Group for 2016/17 is in progress. Focus to date has been on producing the full statements of accounts within tighter a deadline; attention can now be given to the summary statements. These will be circulated to JIAC members for review.

B. FINANCIAL CONSIDERATIONS

The Financial Statements show the PCC's and CC's stewardship for the year 2016/17.

C. LEGAL AND HUMAN RIGHTS CONSIDERATIONS

The statements are prepared so as to comply with all relevant accounting requirements and audited in accordance with those requirements.

D. PERSONNEL, EQUAL OPPORTUNITIES AND DIVERSITY ISSUES

(including any impact or issues relating to Children and Young People.)

None specific

E. REVIEW ARRANGEMENTS

The accounts are complete and are scheduled to be formally signed on 18 August, the addition of any post Balance sheet events required during the period between this meeting and formal sign off will be reported to the next meeting of the Committee.

F. RISK MANAGEMENT

There are risks associated with ensuring that the disclosures made in the accounts are in accordance with the legislation and codes of practice. External Auditors have highlighted issues as part of their reporting which have been corrected in the accounts. There are however residual risks of non-compliance which have been mitigated by the checks undertaken.

G. PUBLIC ACCESS TO INFORMATION

Information in this report along with any supporting material is subject to the Freedom of Information Act 2000 and other legislation.